

## CHAPTER 17

EXPENSES AND MISCELLANEOUS ITEMS1701 GENERAL

170101 Purpose. This chapter prescribes guidance to account for expenses incurred in carrying out Department of Defense operations.

170102 Overview. An expense is a recognition of the portion of an outlay applicable to the current accounting period, or other use of a resource, or the incurring of a liability (or a combination of these events) as a result of the DoD's efforts to perform its missions.

170103 Expenses are the natural culmination of any DoD Component's operations. They occur as a part of normal, routine operations, and not an extraordinary or an unexpected event such as destruction through natural disasters or war. They are an application of budgetary resources made available to DoD Components without regard to the period of availability of the account. Goods and services ordered and received are recorded in the budgetary accounts as accrued expenditures and in the proprietary accounts as an expense or an asset, such as a capital item, or an inventory item. The proprietary accounts maintain financial control over the resources provided to the Department of Defense and assure full accountability once the budget execution process has been completed. Full financial control over all material, labor, supplies, etc., shall be maintained until consumed (expensed), sold or transferred to another Federal Agency in accordance with statutory authority. For Defense business operations fund activities, expenses are incurred in providing goods and services to customers. Figure 17-1 on the following page illustrates the relationship between the budgetary accounts and the expense accounts.

170104 Expenses are classified as to specific categories, such as accounts to record depreciation, amortization, bad debt and interest expenses.

170105 A miscellaneous item is a gain or loss not expected to be incurred during a normal operating cycle. As such, they are not reflected in reports as a current expense but are classified and reported as nonrecurring items, extraordinary items, or unusual items. An example of a miscellaneous item would be a gain or loss resulting from the disposal of unusable equipment. A gain could be a miscellaneous gain whereas a loss on disposal would be a miscellaneous loss.

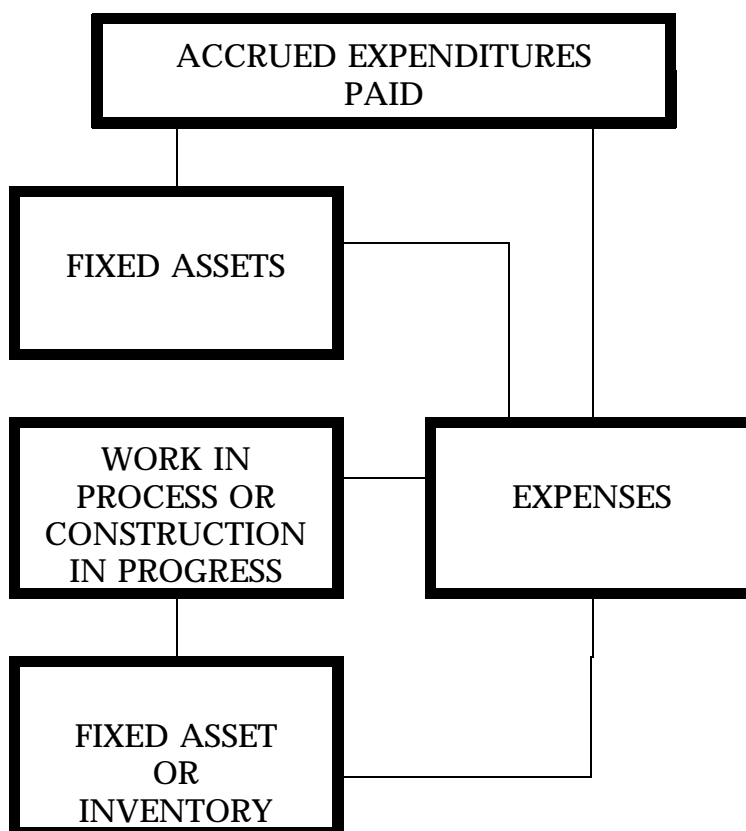
170106 The treatment of expense items by Defense Business Operations Fund activities is different from the treatment accorded to expenses related to appropriation funded activities. For Defense Business Operations Fund activities expenses flow through the "Work in Process" Account to the "Cost of Goods" Account.

1702 ACCOUNTING POLICY FOR  
EXPENSES AND MISCELLANEOUS  
ITEMS

170201 The Department of Defense is accountable for its stewardship in expending resources necessary in carrying out its missions. Examples of operating expenses include those for personnel, contractual services, and material. Also included is an allocation of prior capital outlays (depreciation/amortization) when such information is necessary for management decision-making purposes, to meet external reporting requirements, or to recover costs of operations.

170202 Particular attention is to be given to expenses incurred by research and development programs, or related to the search for knowledge and the conversion of knowledge into use for DoD missions.

ACCRUED EXPENDITURES PAID AND  
EXPENSE ACCOUNTS RELATIONSHIPS



When goods or services purchased are paid for they are recorded as an Accrued Expenditure-Paid in budgetary accounts. In proprietary accounts, they are recorded either in an account such as fixed assets (if capitalized) or inventory, or as an expense. Those items recorded as an asset are ultimately consumed in the DoD Component's operation. Items initially recorded as an expense may, especially at DBOF depot maintenance activities, be transferred to work in process until such time as an item is completed.

Figure 17-1

A. Expenses incurred for research and development shall be recorded and reported as an expense in the period incurred.

B. Costs for property, plant, or equipment acquired or constructed for a particular research and development project are to be capitalized if the acquisition cost is over \$50,000 and the items have a life expectancy of more than 2 years. When the project is completed, these items shall be disposed of in accordance with the guidance contained in Chapter 7 of this Volume. Chapters 1 and 6 of this Volume provide accounting guidance for capitalizing and depreciating or amortizing assets.

### 1703 ACCOUNTING FOR EXPENSES

170301 The following sections discuss each type of expense. The sections are categorized as to operating/program expenses, interest expenses, benefit program expenses, cost of goods sold, applied overhead, and other expenses. Unless otherwise stated, these accounts shall be applicable to all DoD Components. Closing entries are not illustrated; these entries are contained in Chapter 16 of this Volume.

170302 The accounting entries for operating/program expenses are, for the most part, the same. Accordingly, each of the expense accounts is first discussed in a logical grouping and the accounting entries associated with those groupings are then presented. These groupings are:

- A. Accounts 6111-6115 -- payroll expenses
- B. Accounts 6116-6124 -- general expenses
- C. Accounts 6125-6126 -- depreciation expenses
- D. Account 6127 -- depletion expense
- E. Account 6128 -- amortization expense
- F. Account 6129 -- bad debt expense
- G. Account 6130 -- annual leave

170303 The use of the accounts discussed in this Chapter by appropriated, business operations fund and trust fund activities is summarized as follows:

- A. Appropriated Fund Activities. All

accounts are available for use except the following:

- 1. 6310 Interest Expenses on Borrowing From Treasury
- 2. 6600 Applied Overhead
- 3. 6900 Other Expenses
- 4. 7191 Inventory Gains
- 5. 7192 Investment Gains
- 6. 7291 Inventory Losses or Adjustments
- 7. 7292 Investment Losses
- 8. 7500 Distribution of Income-Dividend
- 9. 7600 Changes in Actuarial Liability

B. Defense Business Operations Fund activities. The 6100 series accounts may be used to systematically accumulate costs. All other accounts are available for use as necessary depending upon the specific business area, except the following:

- 1. 6310 Interest Expense on Borrowing from Treasury
- 2. 6320 Interest Expenses on Federal Securities
- 3. 6400 Benefit Program Expenses
- 4. 7500 Distribution of Income-Dividend
- 5. 7600 Changes in Actuarial Liability

C. Trust Fund activities. All accounts are available for use as necessary depending on the specific trust fund, except the following:

- 1. 6310 Interest Expenses on Borrowing From Treasury
- 2. 6320 Interest Expenses on Federal Securities
- 3. 6600 Applied Overhead
- 4. 7500 Distribution of Income-Dividend
- 5. 7191 Inventory Gains
- 6. 7291 Inventory Losses

170304 For expense transactions that pass through an accounts payable or accrued payroll account, the budget account entry to be made is provided in Table 17-1.

170305 In some instances, an immediate cash outlay is made at the time the expense is incurred. This is the situation when the expense is incurred through the use of an imprest fund. To ensure that the budgetary and the proprietary accounts are posted in the same accounting period, imprest funds shall be reimbursed at

least once during each accounting period. The budgetary account entry to be made for immediate cash outlay situations is provided in Table 17-2.

170306 Expenses (Account 6000) "Expenses" is the control account for all expenses. As such, it is a summary general ledger account intended for general financial statement purposes. No transactions are posted to this account.

170307 Operating/Program Expenses (Account 6100)

A. "Operating/Program Expenses" is a summary account to control subsidiary accounts established to accumulate operating expenses for personnel, travel, communications, contractual services, etc. As such, no transactions are posed to this account.

B. Expenses shall be identified to the programs to which they relate. Accordingly, accounting systems shall have the ability, at a

minimum, to report expenses by budget program line, the Future Years Defense Plan, the force structure, and organizational unit.

170308 Group A: Accounts 6111-6115 - Payroll Expenses

A. Personnel Compensation-Civilian (Account 6111)

1. " P e r s o n n e l Compensation-Civilian" is used to record the gross compensation for personal services rendered by federal civilian employees and non-federal personnel. Compensation expenses included in this account are those for full time permanent; other than full time permanent; special personal services payments (which includes payments for reimbursable work performed for other agencies for services of civilian and military personnel; payments to the Civil Service retirement and disability fund for reemployed annuitants); and other personnel compensation.

#### BUDGETARY ENTRIES - ACCRUED EXPENSES

Dr 4810 Undelivered Orders-Direct Program  
or, as appropriate,  
Dr 4820 Undelivered Orders-Reimbursable Program  
Cr 4910 Accrued Expenditures-Unpaid-Direct Program  
or, as appropriate,  
Cr 4920 Accrued Expenditures-Unpaid-Reimbursable Program

TABLE 17-1

#### BUDGETARY ENTRIES - IMPREST FUND

Dr 4810 Undelivered Orders-Direct Program  
or, as appropriate,  
Dr 4820 Undelivered Orders-Reimbursable Program  
Cr 4930 Accrued Expenditures-Paid-Direct Program  
or, as appropriate,  
Cr 4940 Accrued Expenditures-Paid-Reimbursable Program

TABLE 17-2

2. Awards made to employees such as those for suggestions, performance bonuses, special act awards, and productivity gain sharing programs are increases in payroll compensation. the DoD productivity gain sharing (PGS) program permits up to a maximum of 50 percent of achieved PGS savings to be paid to eligible employees. Subject to the 50 percent ceiling, the PGS program allows considerable flexibility in determination of the amount and form of payment--monetary or compensated absence (administrative leave). DoD activities develop their individual organization-wide PGS plans based on their mission functions. PGS plans should include a specified effort to be on board to be eligible to receive a share of the PGS payout. PGS plans should also provide specifics as to whether an employee remains eligible or forfeits his/her share if the employee leaves the organization prior to the payout. If the plan and conditions permit, employees may elect to receive administrative leave, or cash payment, or a combination of administrative leave and pay. The administrative leave option may be granted at the discretion of the activity commander based upon workload requirements at the time. The period of time for which administrative leave may be granted to an employee will be derived by dividing the value of the employee's gain share award by his/her hourly rate plus and average factor for benefits.

3. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate civilian personnel costs for work in process or construction in progress. Trust fund activities that need to account for personnel related expenses also may use this account.

4. Table 17-3 illustrates the use of this account.

#### B. Personnel Compensation-Military (Account 6112)

1. "Personnel Compensation-Military" is used to record the earned basic, incentive and special pays of military personnel. Included are extra pay based on environmental conditions and basic

allowances for subsistence and quarters. Excluded are cost of living allowances for locations outside the contiguous 48 states and the District of Columbia, which is recorded in account 6114, Personnel Benefits-Military. Also excluded are payments made to other Agencies for services of military personnel on reimbursable detail, that are posted to account 6120, "Other Services."

2. This account shall be used by those DoD activities which account for the cost of military personnel appropriations.

3. Table 17-3 illustrates the use of this account

#### C. Personnel Benefits-Civilian (Account 6113)

1. "Personnel Benefits-Civilian" is used to record the benefits paid directly to DoD civilian personnel and payments to other funds for the benefit of the employees. It excludes DoD reimbursements for reemployed annuitants, i.e., payments by an agency employing an annuitant that reimburses the Civil Service retirement and disability fund for the annuity paid to that employee as required by P.L. 94-397 (5 U.S.C. 8339, 8344). These are recorded in account 6111, "Personnel Compensation-Civilian."

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate civilian personnel costs for work in process or construction in progress. Trust fund activities that need to account for personnel related expenses also may use this account.

3. Table 17-4 illustrates the use of this account.

#### D. Personnel Benefits-Military (Account 6114)

1. "Personnel Benefits-Military" is used to record the benefits paid directly to military personnel. Included are allowances for uniforms, reenlistment bonuses, cost of living allowances paid to personnel on duty outside the

contiguous 48 States and the District of Columbia, dislocation and family separation allowances and personal allowances. Allowances for items such as hazardous duty, flight pay and environmental conditions are excluded; these are considered part of gross pay. DoD Component contributions to the military retirement, social security, the Serviceman's Group Life Insurance and educational benefits programs are charged to this account.

2. This account shall be used only in those accounting systems that are used to record obligations for military pay.

3. Table 17-4 illustrates the use of this account.

**E. Benefits for "Former Personnel" (Account 6115)**

1. "Benefits for "Former Personnel" is used to record amounts paid to former DoD personnel or their survivors during the current period. Included in the account are retirement benefits (excluding foreign nationals that is recorded in account 2114, Accounts Payable-Public-Non-current), severance pay, unemployment compensation, and the DoD's payment to the Employees Health Benefits Fund for annuitants.

2. This account shall be used by all DoD activities that account for benefit payments to former DoD civilian employees and their survivors. Revolving fund activities may

use this account to accumulate civilian personnel costs for work in process or construction in progress. Trust fund activities that need to account for personnel related expenses also may use this account. Benefit payments to retired military personnel and their survivors are recorded in Account 6400, "Benefit Program Expenses."

F. Table 17-5 illustrates the use of this account.

G. Sources of entries to this account include payroll vouchers and journal vouchers.

**170309 Group B: Accounts 6116-6124 - General Expenses**

**A. Travel and Transportation of Persons (Account 6116)**

1. "Travel and Transportation of Persons" is used to record the expenses related to transporting employees and others, including public transportation fares, per diem allowances, and other related expenses that are paid directly by the Department of Defense to the traveler or the organization providing the travel transportation.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

**ACCOUNTING ENTRIES FOR ACCOUNTS 6111 & 6112  
"PERSONNEL COMPENSATION-MILITARY" & "PERSONNEL COMPENSATION-CIVILIAN"**

Dr 6111 Personnel Compensation-Civilian  
Dr 6112 Personnel Compensation-Military  
Cr 2211 Accrued Payroll-Civilian  
Cr 2212 Accrued Payroll-Military

To record employee compensation earned during the period.

**TABLE 17-3**

**ACCOUNTING ENTRIES FOR ACCOUNTS 6113 & 6114  
"PERSONNEL BENEFITS-MILITARY" & "PERSONNEL BENEFITS-CIVILIAN"**

Dr 6113 Personnel Benefits-Civilian  
 Dr 6114 Personnel Benefits-Military  
     Cr 2213 Accrued Payroll-Civilian-Employer Share of Personnel Benefits  
     Cr 2214 Accrued Payroll-Military-Employer Share of Personnel Benefits

To record benefits earned by DoD personnel not recorded in civilian and military personnel compensation accounts.

**TABLE 17-4**

**ACCOUNTING ENTRIES FOR ACCOUNT 6115 -  
BENEFITS FOR "FORMER PERSONNEL"**

Dr 6115 Benefits for Former Personnel  
     Cr 6400 Benefit Program Expenses  
     Cr 2113 Accounts Payable-Public-Current

To record benefits earned by former personnel, based on prior employment.

**TABLE 17-5**

**B. Transportation of Things (Account 6117)**

1. "Transportation of Things" is used to record the expenses incurred to transport equipment, material, animals, deceased employees and for the care of such items while being transported. Vendor transportation charges associated with purchased items are excluded; these are charged to the general ledger accounts associated with the purchased items. Included are freight and express charges by common carrier and contract carrier; trucking and other local transportation charges for hauling, handling, and other services incident to local transportation, including contractual transfers of supplies and equipment; mail transportation, including parcel post postage; and, transportation of household goods related to permanent change of station.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in

process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

**C. Rents, Communications, and Utilities (Account 6118)**

1. "Rents, Communications, and Utilities" is used to record the expenses incurred for possession and use of land, structures or equipment owned by others and charges for communication and utility services. It includes direct charges for rental of space and rent related services assessed by the General Services Administration as rent, formerly known as standard level user charges (but excludes payments for services such as extra protection, extra cleaning or extra alterations, which are charged to account 6120, "Other Services"); rental charges to others for leased space, land, and structures; communication expenses for telephone and other wire services, and microwave and satellite communications; utility service charges for heat, light, power, water, gas,

electricity, and other utility services; and, miscellaneous charges under purchase rental agreements for equipment (but excludes payments under lease-purchase contracts for constructing buildings). Rental charges for transportation equipment are recorded as a "Transportation of Things" expense, Account 6117.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

D. Printing and Reproduction (Account 6119)

1. "Printing and Reproduction" is used to record expenses incurred for printing, reproduction, composition and binding operations provided by U.S. Government and commercial printers and photographers.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

3. When necessary to meet management or external reporting requirements, subsidiary accounts shall be established to accumulate expenses by type (i.e., printing, reproduction, etc.).

E. Other Services (Account 6120)

1. "Other Services" is used to record expenses incurred for contracts that are not appropriately charged to another expense account. Excluded from this account are rental expenses paid to GSA, travel and transportation services and lease contracts that are properly capital leases as explained in Chapter 7 of this Volume and contracts for the delivery of personal property. Included are repair and alteration expenses that are not capitalizable in accordance with the guidance of chapter 1 of this Volume; expenses incurred for storage and care

of vehicles and storage of household goods, including those associated with a permanent change of station; contractual expenses for board, lodging, and care of persons, including hospital care (except for travel items that are recorded in account 6116); ADP custom software contract expenses covering development of software in accordance with current budget criteria.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

F. Supplies and Materials (Account 6121)

1. "Supplies and Materials" is used to record the cost of supplies and material, including chemicals, fuel, clothing, food, ammunition and explosives, office supplies, publications, and ADP supplies and materials consumed in operations. Amounts recorded in this account exclude supplies and materials that are either incorporated into or consumed in producing an end product that is capitalized as an inventory item or as a fixed asset. Supplies and materials consumed in producing an end product are recorded as work in process or construction in progress as a direct material charge or as overhead.

2. This account shall be used by all DoD activities which receive materials and supplies for consumption in operations. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

G. Equipment (not capitalized) (Account 6122)

1. "Equipment (not capitalized)" is used to record the acquisition costs of equipment purchased that do not meet the capitalization criteria in Chapter 1 of this Volume.



2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

#### H. Grants, Subsidies, and Contributions (Account 6123)

1. "Grants, Subsidies, and Contributions" is used to record grants and subsidies such as those authorized by law for National Guard training facilities and contributions made to further or enhance the interest of national defense. Charges to this account also include taxes paid by the Department of Defense as a result of agreements with taxing authorities and payments in lieu of taxes.

2. In those instances involving the contribution of DoD-owned assets, care must be taken to remove from the accounts not only the capitalized cost of the contributed asset, but also any accumulated depreciation related to the assets before recording the donation. In such cases, the donated value shall be the book value and no gain or loss shall be recognized on the transaction.

3. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

#### I. Insurance Claims and Indemnities (Account 6124)

1. "Insurance Claims and Indemnities" is used to record payments to veterans and their survivors for death or disability; claims and judgments arising from court decisions, and abrogations of contracts; claims arising from military operations; and personal injury or death claims.

2. This account shall be used by all DoD activities that support the processing and payment of claims and indemnities. fund

activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

J. Table 17-6 illustrates the most common entries used for this account.

2. Sources for entries to this account include completed travel orders, passenger tickets and transportation requests issued; travel claims approved, billings from common carriers, invoices, receiving reports, lease/use providers of personnel transportation services, documents authorizing grants, subsidies and contributions, adjudicated claims, journal vouchers, and disbursement vouchers.

#### 170310 Group C: Accounts 6125-6126 - Depreciation Expenses

##### A. Depreciation of Equipment (Account 6125)

1. "Depreciation of Equipment" is used to record the allocation of the cost of equipment, including ADP equipment and assets acquired under capital leases used during an accounting period. The amounts to be recorded as depreciation shall be determined in accordance with the guidance contained in Chapters 1, 6, and 7 of this Volume.

2. This account shall be used by appropriated fund activities when a management decision is made that depreciation accounting is necessary. Revolving fund activities shall account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

##### B. Depreciation of Real Property (Account 6126)

1. "Depreciation of Real Property" is used to record the allocation of the cost of real property (buildings, structures, and other depreciable facilities) used during an accounting period. The amounts to be recorded as depreciation shall be determined in

**ACCOUNTING ENTRIES FOR ACCOUNT 6124 -  
INSURANCE CLAIMS AND INDEMNITIES**

Dr 6116 Travel and Transportation of Persons  
 Dr 6117 Travel and Transportation of Things  
 Dr 6118 Rents, Communications, and Utilities  
 Dr 6119 Printing and Reproduction  
 Dr 6120 Other Services  
 Dr 6121 Supplies and Materials  
 Dr 6122 Equipment (not capitalized)  
 Dr 6123 Grants, Subsidies, and Contributions  
 Dr 6124 Insurance Claims and Indemnities  
     Cr 1411 Travel Advances  
     Cr 1510 Operating Material and Supplies  
     Cr 2111 Accounts Payable-Government-Current  
     Cr 2113 Accounts Payable-Public-Current  
     Cr 2115 Claims Payable  
     Cr 2920 Contingent Liabilities

To record operating expenses for the period.

(NOTE: Separate entries may be necessary in those situations when travel tickets are issued and payable before the traveler completes travel and prepares the required travel expense claim for per diem and other related expenses.)

**TABLE 17-6**

accordance with the guidance contained in Chapters 1 and 6 of this Volume.

2. This account shall be used by appropriated fund activities when a management decision is made that depreciation accounting is necessary. Where depreciation is required to meet the requirements for cost recovery, the asset use charge shall be applied in accordance with the provisions of Volume 11.

3. Defense Business Operations Fund activities shall use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

C. Table 17-7 illustrates the common entries used for this account.

D. Sources for entries to this account are journal vouchers supported by worksheets showing the basis for depreciation computations.

170311 Group D: Account 6127 -- Depletion Expense

A. Depletion of Natural Resources (Account 6127)

1. "Depletion of Natural Resources" is used to record the estimated value of natural resources extracted or consumed during the current accounting period.

2. This account shall be used by DoD fund activities when a management decision is made that depletion accounting is necessary. DoD Components shall consult with the DFAS, when the decision to record depletion expenses is made for DoD assets. Where depletion is required to meet the requirements

**ACCOUNTING ENTRIES FOR ACCOUNT 6126 -  
DEPRECIATION OF REAL PROPERTY**

Dr 6125 Depreciation of Equipment  
 Dr 6126 Depreciation of Real Property  
     Cr 1739 Accumulated Depreciation on Buildings  
     Cr 1749 Accumulated Depreciation on Other Structures and Facilities  
     Cr 1759 Accumulated Depreciation on Equipment  
     Cr 1769 Accumulated Depreciation on Military Equipment  
     Cr 1719 Accumulated Depreciation on Assets Under Capital Lease

To record depreciation expense for the accounting period.

**TABLE 17-7**

for cost recovery, the asset use charge shall be applied in accordance with the provisions of Volume 11.

3. Table 17-8 illustrates the most common entries used for this account.

4. Sources for entries to this account are journal vouchers supported by worksheets showing the basis for depletion computations.

170312 Group E: Account 6128 -  
Amortization Expense

A. Amortization of Leasehold  
Improvements and Other Intangible Assets  
(Account 6128)

1. "Amortization of Leasehold Improvements and Other Intangible Assets" is

used to record the allocation of improvements made to properties held under lease as well as the allocation of the value of other assets to the current accounting period. The amounts to be recorded as an amortization expense shall be determined in accordance with the guidance contained in Chapter 7 of this Volume. This account also shall be used to record the estimated loss on acquired collateral.

2. This account shall be used by appropriated and revolving fund activities when a management decision is made that amortization accounting is necessary. Where amortization is required to meet the requirements for cost recovery, the asset use charge shall be applied in accordance with the provisions of Volume 11.

3. Table 17-9 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 6127 -  
DEPLETION OF NATURAL RESOURCES**

Dr 6127 Depletion of Natural Resources  
     Cr 1849 Allowance for Depletion

To record depletion expense incurred.

**TABLE 17-8**

**ACCOUNTING ENTRIES FOR ACCOUNT 6128 -  
AMORTIZATION OF LEASEHOLD IMPROVEMENT AND OTHER INTANGIBLE ASSETS**

Dr 6128 Amortization of Leasehold Improvements and Other Intangible Assets  
 Cr 1829 Accumulated Amortization on Leasehold Improvements  
 Cr 1839 Accumulated Amortization on Automated Data Processing Software  
 Cr 1919 Allowance for Loss on Acquired Collateral

To record amortization expense.

**TABLE 17-9**

4. Sources for entries to this account are journal vouchers supported by worksheets showing the basis for amortization computations.

170313 Group F: Account 6129 -  
Bad Debt Expense

A. Bad Debts (Account 6129)

1. "Bad Debts" is used to record estimated amounts of uncollectible receivables during the accounting period.

2. This account also shall be used to record bad debts that are in excess of estimated uncollectible receivables.

3. Normally, estimates of uncollectible accounts receivable shall be limited to

those collectible from the public. When experience does not indicate otherwise, Components shall record a bad debt expense using an annual percentage rate of .001 of the current outstanding receivables balances from the public.

4. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

5. Guidance contained in Volume 3 of this Regulation shall be followed when recording obligations to cover dishonored receivables.

6. Table 17-10 illustrates the most common entries used for this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 6129 -  
BAD DEBTS**

Dr 6129 Bad Debts  
 Cr 1319 Allowances for Loss on Accounts Receivable  
 Cr 1359 Allowances for Loss on Loans Receivable

To record estimated bad debt expense for the period.

Dr 6129 Bad Debts  
 Cr 1314 Accounts Receivable Public-Non Current

To record actual bad debt expense in excess of estimated uncollectible receivables.

**TABLE 17-10**

7. Sources for entries to this account include journal vouchers supported by worksheets showing computations of estimated bad debts.

**170314 Group G: Account 6130 - Annual Leave**

**A. Annual Leave (Account 6130)**

1. "Annual Leave" is used to record the expense incurred by DoD Components for annual leave earned by civilian and military employees.

2. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress, except that business operations funds shall not record the annual leave expense for military personnel. Trust fund activities that need to account for such expenses also may use this account.

3. Table 17-11 illustrates the most common entries used for this account.

**170315 Interest Expenses (Account 6300)**

A. "Interest Expenses" is a summary control account used to record interest expenses incurred by DoD Components as a result of late payments of accounts and loans payable, and the current interest accruing on amounts owed to

others.

B. This account is used for financial reporting purposes only. No entries are posted to this account.

C. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

**170316 Interest Expenses on Borrowing From Treasury (Account 6310)**

A. "Interest Expenses on Borrowing From Treasury" is used to record interest payments on borrowings from the Treasury.

B. The Department of Defense does not have current borrowing authority. Accordingly, this account shall not be used by DoD Components.

**170317 Interest Expenses on Securities (Account 6320)**

A. "Interest Expenses on Securities" is used to record the interest expense incurred by DoD Components authorized to issue securities.

B. No DoD activity is authorized to issue federal securities. Accordingly, no entries shall be posted to this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 6130 -  
ANNUAL LEAVE**

Dr 6130 Annual Leave  
     Cr 2215 Accrued Payroll-Funded Annual Leave-Civilian  
     Cr 2221 Accrued Annual Leave-Civilian (Unfunded)  
     Cr 2222 Accrued Annual Leave-Military (Unfunded)

To record annual leave expense for the period.

**TABLE 17-11**

**170318 Other Interest Expenses (Account 6330)**

A. "Other Interest Expenses" is used to record all interest expenses incurred by DoD activities as a result of late payments of accounts payables, loans, mortgages and other liabilities.

B. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Trust fund activities that need to account for such expenses also may use this account.

C. The account shall be supported by subsidiary accounts to show the types of transactions (i.e., accounts payables, loans, mortgages, etc.) for which interest expenses were incurred.

D. Table 17-12 illustrates the most common entries used for this account.

E. Sources for entries to this account include journal vouchers with supporting documentation showing the computation of interest expenses and disbursement vouchers.

**170319 Benefit Program Expenses (Account 6400)**

A. "Benefit Program Expenses" is used to record payments made to retired military personnel and their survivors. As a general rule, these payments are made from the military retirement fund. Chapter 14 of this Volume provides guidance on accounting for military retirement.

B. This account shall be used only to account for benefit payment made by the Military Retirement Trust Fund and the DoD Education Benefits Trust Fund.

C. Table 17-13 illustrates the most common entries used for this account.

**170320 Cost of Goods Sold (Account 6500)**

A. "Cost of Goods Sold" is used to record the cost of goods or services sold from stock, by Defense Business Operations Fund activities, or by other DoD activities authorized to provide services or material to other Federal Government Agencies, including other Components, or non-Federal Government organizations.

**ACCOUNTING ENTRIES FOR ACCOUNT 6330 -  
OTHER INTEREST EXPENSES**

Dr 6330 Other Interest Expenses  
Cr 2140 Accrued Interest Payable

To record interest expenses for the current accounting period.

**TABLE 17-12**

**ACCOUNTING ENTRIES FOR ACCOUNT 6400 -  
BENEFIT PROGRAM EXPENSES**

Dr 6400 Benefit Program Expenses  
Cr 2113 Accounts Payable-Public-Current

To record amounts payable to military retirees or their survivors.

**TABLE 17-13**

B. This account shall be used by Defense Business Operations Fund activities. Appropriated fund activities shall also use this account to support reimbursable programs when necessary. Trust fund activities that need to account for products delivered to other organizations also may use this account.

C. Work-in-process or construction-in-progress accounts shall be used to accumulate the costs of goods or services in accordance with guidance contained in Chapters 4 and 6 of this Volume. The amounts recorded in these account series, as well as amounts recorded in applicable inventory accounts, shall be the basis for determining the amounts to be recorded as cost of goods sold.

D. Table 17-14 illustrates the most common entries used for this account.

E. Sources for entries to this account are journal vouchers with supporting worksheets or schedules showing the computation of cost of goods sold, shipping documents, and billing documents.

**170321 Applied Overhead (Account 6600)**

A. "Applied Overhead" is used to record the amount of overhead distributed to work-in-process or construction-in-progress

accounts. As such, this account shall be used by DoD revolving fund activities, and other activities operating a substantial reimbursable program.

B. For guidance on the use of this account see Chapters 20 and 21 of this Volume.

**170322 Other Expenses (Account 6900)**

A. "Other Expenses" is used to record those expenses that cannot be classified to a specific expense account. DoD Components shall not use this account without the approval of the DFAS.

**1704 ACCOUNTING FOR MISCELLANEOUS ITEMS**

170401 "Miscellaneous Items" consists of those items that are not a normal part of day-to-day operations of DoD Components. The categories under this heading, with the exception of prior-period adjustments, are adjustments to current period operations.

170402 Seven broad categories are included in this grouping: ordinary gains and losses, extraordinary items, prior-period adjustments, distributions of income, dividends, and changes in actuarial liabilities. The following paragraphs discuss the accounts within each of these categories.

**ACCOUNTING ENTRIES FOR ACCOUNT 6500 -  
COST OF GOODS SOLD**

Dr 6500 Cost of Goods Sold  
     Cr 1521 Inventory Held for Sale  
     Cr 1581 Work in Process-In-House  
     Cr 1721 Construction in Process-In-House

To record the cost of goods sold.

**TABLE 17-14**

170403 Gains (Account 7100)

A. "Gains" is a control account to report gains on the disposal of DoD assets. The account is a summary account used for financial reporting purposes. No entries are made to this account.

1. This account shall be used by all DoD activities.

B. There are two subsidiary accounts under this control account; "Gains on Disposition of Assets," and "Other Gains." "Other Gains" consists of inventory, investment, and other miscellaneous gains.

170404 Gains on Disposition of Assets (Account 7110)

A. "Gains on Disposition of Assets" is used to record the gains resulting from the sale of DoD property. This gain is determined after considering acquisition cost, any accumulated depreciation, and any costs associated with the disposition.

B. This account shall be used by all DoD activities authorized to dispose of DoD property.

C. Table 17-15 illustrates the most common entries used for this account.

D. Sources for entries to this account include property disposal reports and cash receipt documents.

170405 Other Gains (Account 7190)

A. "Other Gains" is a control account used for financial reporting purposes. No entries are posted to this account.

170406 Inventory Gains (Account 7191)

A. "Inventory Gains" is used to record gains in inventory resulting from identifying assets not previously recorded. Such gains are generally identified as a result of taking physical inventories. They may also result from price adjustments.

B. Identification of such gains indicates a need to review existing internal controls over the receipt and recording of inventory transactions.

C. This account shall be used only by Defense Business Operations Fund activities within the Supply Management business area and the Defense Commissary Agency.

D. Volume 11B of this Regulation provides a fuller description of this account.

**ACCOUNTING ENTRIES FOR ACCOUNT 7100 -  
GAINS**

Dr 1749 Accumulated Depreciation on Buildings  
 Dr 1759 Accumulated Depreciation on Equipment  
 Dr 1769 Accumulated Depreciation on Military Equipment  
 Dr 1011 Funds Collected  
     Cr 1710 Land  
     Cr 1730 Buildings  
     Cr 1765 Property Awaiting Disposal  
     Cr 7110 Gains on Disposition of Assets

To record the disposition of property at a gain.

**TABLE 17-15**



E. Sources for entries to this account include journal vouchers supported by documentation computing the increased value of inventory and results of physical inventories.

**170407 Investment Gains (Account 7192)**

A. "Investment Gains" is used to record the gains realized by DoD Components on the sale or redemption of investments (including securities).

B. This account shall be used by DoD activities responsible for administering trust funds. Other DoD activities shall consult with the DFAS, before posting gains to this account.

C. Table 17-16 illustrates the most common entries used for this account.

D. Sources for entries to this account include collection vouchers and authorizations to dispose of DoD-held securities.

**170408 Other Miscellaneous Gains (Account 7193)**

A. "Other Miscellaneous Gains" is used to record those gains that are not classifiable to specific gain accounts.

B. This account shall be used by all DoD activities.

C. Table 17-17 illustrates the most common entries used for this account.

D. Sources for entries to this account include collection vouchers and authorizations to dispose of DoD-owned assets.

**ACCOUNTING ENTRIES FOR ACCOUNT 7192 -  
INVESTMENT GAINS**

Dr 1011 Funds Collected  
Dr 1611 Federal Securities-Unamortized Premium or Discounts  
    Cr 1610 Federal Securities (At Par)  
    Cr 7192 Investment Gains

To record gain on sale of investments.

(NOTE: Any remaining unamortized discount or premium relating to the investment at the time of disposition shall be recognized in the above entry.)

**TABLE 17-16**

**ACCOUNTING ENTRIES FOR ACCOUNT 7193 -  
OTHER MISCELLANEOUS GAINS**

Dr 1011 Funds Collected  
    Cr 1200 Foreign Currency  
    Cr 7193 Other Miscellaneous Gains

To record a gain resulting from converting foreign currency holdings to U.S. dollars.

**TABLE 17-17**

**170409 Losses (Account 7200)**

A. "Losses" is a summary control account used for financial reporting purposes only.

B. This account shall be used by all DoD activities. Revolving fund activities may use this account to accumulate losses. Trust fund activities that need to account for such losses also may use this account.

C. No transactions are posted to this account.

**170410 Losses on Disposition of Assets (Account 7210)**

A. "Losses on Disposition of Assets" is used to record the loss incurred on the disposition of DoD-owned assets. Such losses can result from the sale or destruction of assets.

B. This account ordinarily shall be used only by DoD activities authorized to dispose of DoD property. However, any DoD Component having control over personal and real property may incur such losses due to events beyond their control. This account shall be used to record such losses.

C. Table 17-18 illustrates the most common entries used for this account.

D. Sources for entries to this account include collection documents, authorizations to dispose of assets, journal vouchers with supporting worksheets showing the loss computation, and reports of survey.

**170411 Other Losses (Account 7290)**

A. "Other Losses" is a summary account used for financial reporting purposes. No transactions shall be posted to this account.

B. This account shall be used by all DoD activities.

**170412 Inventory Losses or Adjustments (Account 7291)**

A. "Inventory Losses or Adjustments" is used to record losses in inventory resulting from physical inventories or discrepancies. Losses from physical inventories are those that result from shortages discovered when physical inventories are taken and reconciled with the inventory accounts. Discrepancies are inventory losses occurring during operations through shrinkage, spoilage and deterioration, etc. Price adjustments reflecting a lower standard price also are recorded in this account.

B. This account shall be used only by Defense Business Operations Fund activities within the Supply Management business area and the Defense Commissary Agency.

**ACCOUNTING ENTRIES FOR ACCOUNT 7210 -  
LOSSES ON DISPOSITION OF ASSETS**

Dr 1749 Accumulated Depreciation on Buildings  
 Dr 1759 Accumulated Depreciation on Equipment  
 Dr 1769 Accumulated Depreciation on Military Equipment  
 Dr 7210 Losses on Disposition of Assets  
     Cr 1710 Land  
     Cr 1730 Buildings  
     Cr 1765 Property Awaiting Disposal

To record the disposition of property at a loss.

**TABLE 17-18**

C. Identification of such losses, particularly those identified as a result of physical inventories and theft, indicate a need to review internal controls over inventory. See Chapter 4 of this Volume for additional guidance on conducting physical inventories and conducting reports of survey.

D. Volume 11B of this Regulation provides a fuller discussion of this account.

E. Sources for entries to this account include journal vouchers with supporting documentation showing the basis of adjustments, and reports of survey.

**170413 Investment Losses (Account 7292)**

A. "Investment Losses" is used to record losses realized by DoD Components on the sale or redemption of investments (including securities).

B. This account shall be used by those DoD activities responsible for administering trust and retirement funds.

C. Table 17-19 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with worksheets computing the loss realized, and collection vouchers.

**170414 Other Miscellaneous Losses (Account 7293)**

A. "Other Miscellaneous Losses" is used to record those losses that are not classifiable to specific loss accounts.

B. This account shall be used by all DoD activities.

C. Table 17-20 illustrates the most common entries used for this account.

D. Sources for entries to this account include journal vouchers with worksheets computing the loss realized, and reports of survey.

**170415 Extraordinary Items (Account 7300)**

A. "Extraordinary Items" is used to record costs or income so unusual in type or amount as to be accorded special treatment in the accounts or to be accorded separate disclosure in financial statements. Examples include earthquakes, hurricanes, fires and other natural disasters.

B. This account shall be used with the approval of the Office of the Deputy Under Secretary of Defense (Comptroller/Financial Management)/Deputy Chief Financial Officer.

C. Table 17-21 illustrates the most common entries used for this account.